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BUENOS AIRES  
DECEMBER 7, 1976  
KEITH L. MICELI

ARGENTINA PROJECT (S200000044)  
U.S. DEPT. OF STATE, A/RPS/IPS  
Margaret P. Grafeld, Director  
(X) Release ( ) Excise ( ) Deny  
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RELATIONS - ARGENTINE/UNITED STATES OF AMERICA

WE CONSIDER IT AN HONOR THAT WE HAVE BEEN REQUESTED TO PREPARE A REPORT REGARDING THE PRESENT ARGENTINE SITUATION AS IT MIGHT AFFECT THE FORMULATION OF FUTURE UNITED STATES POLICY TOWARDS ARGENTINA. THE OPINIONS EXPRESSED HERE COME FROM THE PRIVATE SECTOR, BOTH FOREIGN AS WELL AS NATIONAL, IN ARGENTINA. ANY EVALUATION OF THE SITUATION MUST TAKE INTO ACCOUNT A MUCH LONGER PERIOD OF TIME RATHER THAN THE VERY BRIEF SPAN OF EIGHT MONTHS DURING WHICH THE PRESENT GOVERNMENT HAS BEEN IN OFFICE. THE NATION WAS FACED WITH TOTAL ECONOMIC, FINANCIAL AND POLITICAL COLLAPSE WITH A COMPLETE BREAKDOWN OF LAW AND ORDER BY MARCH, 1976, AND IT IS ONLY THROUGH THE HERCULEAN EFFORTS OF THE PRESENT GOVERNMENT THAT DISASTER HAS BEEN AVERTED AND DEFINITE PROGRESS MADE TOWARD ECONOMIC RECOVERY. WE FEEL THAT THE SIZE AND MAGNITUDE OF THE PROFOUND CHANGES THAT HAVE AND ARE TAKING PLACE IN ARGENTINA, ARE INTERRELATED WITH TODAY'S DISCUSSION AND MUST BE TAKEN INTO ACCOUNT IN ANY FAIR AND EQUITABLE EVALUATION OF THIS SITUATION.

THE REPUBLIC OF ARGENTINA IS A DEMOCRATIC COUNTRY WITH A CONSTITUTION REMARKABLY SIMILAR TO THAT OF THE UNITED STATES. THE FOUNDING FATHERS OF THIS NATION HAD MANY OF THE SAME DESIRES AND PREOCCUPATIONS AS THOSE OF THE FOUNDING FATHERS OF THE UNITED STATES OF AMERICA. A RICH AND PROUD COUNTRY, WITH ITS TRADITIONS DEVELOPED OVER MANY YEARS, ARGENTINA DOES NOT UNDERSTAND HOW DECISIONS CAN BE TAKEN BY THE UNITED STATES CONGRESS AND CONGRESSIONAL COMMITTEES WITHOUT DEEP AND CAREFUL EVALUATION OF ALL PERTINENT FACTORS, PARTICULARLY WHERE HISTORY HAS SHOWN MUTUAL COMPREHENSION AND UNDERSTANDING AS HAVING EXISTED BETWEEN THE TWO COUNTRIES.

ARGENTINA IS ONE OF THE WEALTHIEST NATIONS OF THE WORLD IN AGRICULTURAL AND CATTLE PRODUCTION AND BECAUSE OF HER ABILITY TO EXPAND THIS PRODUCTION SEVERAL TIMES OVER, SHE WILL ASSUME A MORE PROMINENT ROLE AS SHE ATTAINS A MUCH LARGER SHARE OF THE DISTRIBUTION OF FOODSTUFFS AND AGRICULTURAL PRODUCTS TO THE HUNGRY NATIONS OF THE WORLD.

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THE PRESENT GOVERNMENT HAD NO ALTERNATIVE BUT TO TAKE OVER FROM THE PERONIST PARTY WHICH, IN EFFECT, WAS NO LONGER GOVERNING. WE MUST GO BACK TO MAY OF 1973 WHEN GENERAL LANUSSE HANDED OVER THE GOVERNMENT OF ARGENTINA TO THE DULY ELECTED GOVERNMENT OF DR HECTOR CAMPORA, WHO HAD GAINED THE LARGEST PERCENTAGE OF VOTES (ALTHOUGH UNDER FIFTY PERCENT) IN OPEN ELECTIONS. WITHIN THE SPACE OF MONTHS, THIS DULY ELECTED GOVERNMENT ADOPTED A POLICY IN WHICH POLITICAL AND CRIMINAL PRISONERS WERE RELEASED FROM THE NATIONAL PRISONS, AND A PERIOD OF POLITICAL, CRIMINAL AND TERRORISTIC KILLINGS, AND KIDNAPPINGS BEGAN IN EARNEST. EXTREMIST GROUPS OF THE FAR LEFT AND RIGHT WERE FORMED AND, NOT SUPRISINGLY, COMMON CRIMINAL BANDS WHICH WERE OUT FOR THEIR OWN PERSONAL GAIN. THE EXACT FIGURES REGARDING KILLINGS AND KIDNAPPINGS OVER THIS PERIOD ARE NOT KNOWN. AT THIS TIME MODERATES, ALARMED BY CAMPORA'S INSANE ACTIONS FORCED NEW ELECTIONS IN WHICH GENERAL PERON HIMSELF WAS ELECTED. SEVERAL YEARS PREVIOUSLY, THE NATION HAD BEEN SHOCKED BY THE KILLING OF A RETIRED EX-PRESIDENT OF ARGENTINA, GENERAL PEDRO ARAMBURU, THE DETAILS OF WHOSE MURDER WERE PROUDLY PUBLISHED BY THE EXTREMISTS. THESE AND COUNTLESS OTHER MURDERS IN THIS COUNTRY WERE TAKING PLACE DURING THESE YEARS BUT NO REAL PREOCCUPATION WAS EVIDENCED ON THE QUESTION OF HUMAN RIGHTS AT THE TIME. WE DO UNDERSTAND THAT ALTHOUGH THE BASIC FOREIGN ASSISTANCE ACT OF 1961 WAS IN FORCE, THE AMENDMENTS - THE INTERNATIONAL DEVELOPMENT AND FOOD ASSISTANCE ACT OF 1975, AND THE INTERNATIONAL SECURITY ASSISTANCE AND ARMS EXPORT CONTROL ACT OF 1976 - WERE NOT YET IN FORCE.

WITH THE ABDICATION OF DR. HECTOR CAMPORA'S LEGALLY ELECTED GOVERNMENT, AN INTERIM GOVERNMENT OF DR. RAUL LASTIRI, PRESIDENT OF THE SENATE AND SON-IN-LAW OF JOSE LOPEZ REGA PERSONAL RIGHT HAND MAN OF GENERAL PERON, WAS FORMED AND THE STAGE WAS SET FOR THE CONFRONTATIONS BETWEEN THE MONTONEROS, E.R.P., THE A.A.A. AND MANY OTHER TERRORIST GROUPS. CORRUPTION BY THE END OF 1975, HAD REACHED SUCH A STAGE THAT ONE HIGHLY PLACED OFFICIAL OF THE MINISTRY OF JUSTICE DESCRIBED IT AS HAVING EXCEEDED THE LIMITS OF TOLERANCE, AND EVEN OF IMAGINATION.

THE ECONOMY, WHICH WAS IN RELATIVELY GOOD SHAPE WHEN GENERAL LANUSSE TURNED THE GOVERNMENT OVER TO DR. CAMPORA IN EARLY 1973, HAD GONE THROUGH A PERIOD OF CATASTROPHIC MISMANAGEMENT. IN 1975 ALONE, THE COST OF LIVING ROSE 335 PERCENT, THE CURRENCY WAS DEVALUATED BY APPROXIMATELY 800 PERCENT, SAVINGS WERE WIPED OUT, PENSIONS BECAME WORTHLESS, AND DESPERATION SET IN. INFLATION, MAY 1975 APRIL 1976, REACHED 1,000 PERCENT AND BANK INTEREST RATES WERE OVER 100 PERCENT AND SOME FINANCIAL COMPANIES WERE CHARGING AS HIGH AS 240 PERCENT FOR SOME OPERATIONS. THE TRADE BALANCE WAS NEGATIVE BY ABOUT 900,000,000 U.S. DOLLARS AND LIQUID, NEGOTIABLE RESERVES WERE DOWN TO 10,000,000 U.S. DOLLARS FOR A COUNTRY WHICH NORMALLY MAINTAINED RESERVES OVER ONE BILLION DOLLARS. IN EARLY 1976, COST OF LIVING ROSE 39.4 PERCENT IN MARCH ALONE AND AS A CARRY-OVER, APRIL SHOWED SIMILAR PERCENTAGES. THIS CHAOTIC SITUATION AFFECTED ALL HUMANITY IN ARGENTINA AND TOUCHED EVERY FAMILY, IRRESPECTIVE OF INCOME. IN THE LAST YEAR AND A HALF PRIOR

TO THE TAKE OVER, THE COUNTRY HAD FIVE DIFFERENT MINISTERS OF ECONOMY, EACH WITH DIFFERENT SHOCK PROGRAMS TO STABILIZE THE ECONOMY. IT WAS NO WONDER THAT MANY PRESS ARTICLES COMPARED THE SITUATION OF EARLY 1976 TO THAT WHICH GERMANY FACED AFTER WORLD WAR I. THE OPPOSITION PARTY LEADER, DR. RICARDO BALBIN, ADMITTED IN A NATIONALLY TELEVISED BROADCAST, THAT THE COUNTRY WAS FACED WITH ECONOMIC DISINTEGRATION AND THAT HE AND HIS PARTY HAD NO SOLUTIONS TO OFFER. A PATHETIC ADMISSION FROM THE OPPOSITION PARTY, BUT INDICATIVE OF THE SITUATION FACING THE COUNTRY.

FACED WITH SOCIAL, POLITICAL AND ECONOMIC COLLAPSE, THE MILITARY STEPPED INTO GOVERNMENT TO REESTABLISH LAW AND ORDER. THIS WAS DONE WITHOUT BLOODSHED AND WITHOUT PERSONAL AMBITIONS ON THE PART OF THE MEN, MILITARY AND CIVILIAN, WHO STEPPED INTO THIS EXTREMELY DIFFICULT SITUATION. THEIR ASSUMPTION OF POWER WAS BECAUSE NO OTHER SOLUTION, DEMOCRATIC OR OTHERWISE, WAS OPEN AND ACCEPTABLE TO THE POPULATION, WHICH HAD REACHED THE POINT OF EXHAUSTION WITH RESPECT TO THE ECONOMIC AND POLITICAL PROBLEMS OF THAT DATE.

WITHIN THE EXTREMELY BRIEF SPAN OF EIGHT MONTHS, THE GOVERNMENT OF PRESIDENT GENERAL JORGE RAFAEL VIDELA AND HIS MINISTER OF ECONOMY DR. JOSE MARTINEZ DE HOZ, HAVE MADE GREAT STRIDES. HOWEVER, THERE IS MUCH YET TO BE DONE BOTH IN THE FIELD OF FINANCE AND ECONOMY, AS WELL AS IN THE LABOR, POLITICAL AND SOCIAL FIELDS WHICH HAVE NOT BEEN FORGOTTEN AND WHICH WERE POINTED OUT AS AREAS OF ATTENTION BY THE JUNTA WHEN THEY ASSUMED RESPONSIBILITY FOR THE GOVERNMENT. ARGENTINA'S POSITION, AT THAT TIME, WAS TO ALIGN HERSELF WITH THE WESTERN AND CHRISTIAN WORLD AND WITH COUNTRIES THAT SPONSORED ACHIEVEMENTS OF INDIVIDUALS. GENERAL VIDELA ALSO POINTED OUT THAT SOCIAL PEACE WAS AN ABSOLUTE NECESSITY IN ACHIEVING A SOLUTION FOR THE ECONOMIC PROBLEMS FACING THE COUNTRY. AS PART OF THE SOCIAL-POLITICAL PROBLEM, HE PROMISED WELFARE AND INFRASTRUCTURE INVESTMENT PROGRAMS, FINANCED CORRECTLY, FOR THE GOOD OF THE PEOPLE. WHILE POLITICAL ACTIVITY HAS BEEN SUSPENDED FOR THE TIME BEING, GENERAL VIDELA HAS PROMISED THAT A RETURN TO A DEMOCRATIC FORM OF GOVERNMENT WOULD BE CARRIED OUT WHEN FEASIBLE AND POSSIBLE.

WITH RESPECT TO THE ECONOMY, TREMENDOUS STRIDES HAVE BEEN MADE, ALTHOUGH THERE ARE CERTAIN AREAS WHERE GOVERNMENT ACTION MUST STILL BE TAKEN. WE REFER HERE TO CONTACTS WITH RESPONSIBLE LABOR LEADERS AND THE QUESTION OF WAGES AND SALARIES, AS REAL INCOME HAS DECLINED. THE GOVERNMENT HAS STARTED TO MOVE ON BOTH OF THESE POINTS, AND, THE ECONOMY, HAS REACTED STRONGLY. THE HEAVY NEGATIVE TRENDS IN GROSS NATIONAL PRODUCT AND NATIONAL GROSS INVESTMENT OF THE YEAR 1975, HAVE BEEN SHARPLY DECELERATED AND WILL SHORTLY RETURN TO THE POSITIVE SIDE. BALANCE OF PAYMENTS, PROJECTED FOR THE

YEAR, SHOW A HEALTHY RESERVE POSITION OF APPROXIMATELY 945,800,000 U.S. FOR THE END OF THE YEAR 1976 AND A FAVORABLE CHANGE IN EXPORTS OF 24.9 PERCENT OVER 1975 AND REDUCTION IN IMPORTS OF 26.3 PERCENT FOR THE SAME PERIOD, LEAVING AN ESTIMATED 790,000,000 U.S. POSITIVE BALANCE. BOTH COST OF LIVING FIGURES AS WELL AS DEVALUATION OF THE NATIONAL CURRENCY AGAINST THE DOLLAR, ARE DOWN TO REASONABLE LEVELS AND HAVE BEEN PROJECTED AT 100 PERCENT, BY THE PRIVATE SECTOR, FOR THE YEAR 1977. CONFIDENCE, AS A RESULT OF THIS IMPROVEMENT, HAS RETURNED AND INDUSTRY AND COMMERCE ARE NOW TURNING TO REACTIVATING EXPANSION OR INVESTMENT PLANS, AND WE SHORTLY EXPECT TO SEE NEW PROJECTS COMING FORTH.

THE PRESENT GOVERNMENT IN ARGENTINA IS THE MOST PROMISING THAT THE COUNTRY HAS SEEN SINCE THE OVERTHROW OF PERON IN 1955. THIS GOVERNMENT'S GOAL IS TO ESTABLISH A SERIOUS REPUBLICAN DEMOCRACY. MEANWHILE, THE TERRORIST STRATEGY CONTINUES TO BE ONE OF THWARTING THE GOVERNMENT'S EFFORTS BY EVERY MEANS POSSIBLE, INCLUDING NEGATIVE PROPAGANDA.

DURING THE SHORT PERIOD OF EIGHT MONTHS, TREMENDOUS CHANGES HAVE BEEN ACCOMPLISHED AND OTHERS WILL BE FORTHCOMING AS THE GOVERNMENT COMES TO GRIPS WITH THE MYRIAD PROBLEMS WHICH THEY INHERITED MARCH 1976.

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